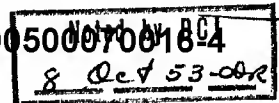


ER4-6560 *Commerce*



MEMORANDUM

October 1, 1953

To: Chairman, Economic Defense Advisory Committee

From: Samuel W. Anderson, Assistant Secretary of Commerce
Member, EDAC

DOC Exemption Letter In ERU File

During the discussion in the National Security Council of draft Document NSC 152/2, considerable emphasis was laid on the use of commercial trade to further mutual understanding between the West and countries of the Soviet Bloc and, in particular, the satellite countries. In addition, a possible value of certain items in such trade from the standpoint of weakening the relationships between the satellite countries and the Soviet Union was discussed. It will be recalled that this discussion took place at the height of the success of the food package program in Berlin.

A case has now arisen which has served as a useful focal point in examining the possibilities suggested in the latter statement. It is the purpose of this memorandum to suggest utilizing this case as a guinea pig involving a more aggressive policy calculated to weaken the ties of the satellites with Russia.

Recently, Balfour, Guthrie & Company, Ltd., an affiliate of the British House of Balfour Williamson & Company, an American exporter, applied to the Department of Commerce for an export license covering 5,000 tons of tallow for Poland. This transaction is a normal commercial order, payment being for dollars in New York. The tallow is consigned to Dal-Spolem at Gdynia, and shipment is projected in five lots of 1,000 tons each over the next three months. The value of the cargo is \$784,000. The stated end use of the tallow is for the manufacture of soap by a conventional process, in the course of which approximately 500 tons of glycerin would be produced as a by product. There are indications that glycerin is not short in the Bloc. OTT brought the case before the Operating Committee on September 17, 1953, at which time it was pointed out by the Defense Department that the by product, glycerin, might be used for the production of explosives. The Department of Defense, accordingly, did not approve the issuance of the license, but did not appeal the decision of the Chairman to issue the license. Other members of the Operating Committee approved the Chairman's decision, and the license was issued on October 1, 1953. Tallow is in large surplus in the U.S. and unrated.

There is an assumption of a shortage of soap in Poland and there appears also to be an assumption that Soviet Bloc sources, particularly the Soviet Union, may not be a reliable source of supply for soap for satellite countries.

We propose that this shipment be thoroughly publicized through every available medium, including short wave broadcasts to Poland in Polish, to be built around a story to the effect that the United States is very happy to be able to approve this transaction so as to help to

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relieve the Polish people from a severe shortage of soap. If this theme is thoroughly developed and successfully spread in Poland, it is possible to visualize the following results, depending upon what happens when the tallow arrives in Poland.

If the Communist regime, supported by Moscow, permits the tallow to be made into soap and the soap sold in Poland as contemplated, the effect on the Polish people will be one of gratitude to the United States for permitting them to have it. It may also sharpen their feeling of annoyance at Russia at denying them adequate soap supplies or tallow supplies up to now. It will re-emphasize the President's several statements that the United States has only sympathy for all down-trodden masses of the Soviet satellites, as evidenced by the food program in Berlin.

If, on the other hand, the Communist regime in Poland or Russian authorities confiscate the tallow and remove it to Russia or, at any rate, prevent it from being made into soap, this will provide a useful item of propaganda to raise the ire of the Polish population against their Soviet masters for preventing what otherwise would be a benefit to the people. Presumably, means could be found to determine whether this happens and to make appropriate use of the development.

The third alternative event might be for the Russians to permit the soap to be made in Poland but suddenly to supplement soap shipments from Russia to Poland in an effort to counteract the pro-U.S. value of the soap made from American tallow. Presumably, this would prove annoying to the Russians and further aggravate whatever soap shortage there may be in the Soviet Union.

Doubtless there are other combinations of events which might be visualized as an end result.

It is suggested that experience in this instance might lead to further enlargement of this type of trade if it appears that the weakening effect of transactions of this sort are worthwhile. For instance, there should be no difficulty in identifying a group of strictly consumers' goods where there are severe shortages in satellite states. With such a list in hand, it is probable that the Commerce Department could stimulate a selected group of American exporters to exercise selling pressure in the satellites through importers or otherwise. One could not forecast, of course, the extent to which orders could be obtained but if the items are severely short, it is at least possible that some business would develop. Each of such shipments could then be treated something like the tallow or in such other way as experience might dictate. Most importing is done by government monopolies. If they file no orders, this fact alone could be useful propaganda. CIA is already undertaking to develop a short list of what they consider to be the most severely short consumer items in the satellites. In addition to this, of course, we would undertake in the export control operation to watch for examples of applications which might fit into this pattern.

- 3 -

I have talked over the above scheme informally with Messrs. Allen Dulles, C. D. Jackson and General Robert Cutler, and this paper is presented at their suggestion to enlist the views of EDAC members. They are tentatively favorably inclined toward the plan. I, therefore, pose the following questions:

1. Does the plan appear consistent with NSC 152/2 and as a useful experiment in psychological offensive?
2. Should the judgment of the NSC be obtained?
3. Should the case of the tallow be tried as an experiment apart from any decision as to future actions?
4. Should an informal disclosure of the plan be made to certain members of Congress before launching?

Document No. 9
Review of this document by CIA has determined that
☒ CIA has no objection to declass
it contains information of CIA
Interest that must remain
classified at TS S (C)
Authority: HR 70-2
☐ It contains nothing of CIA interest
Date 4-26-80 Reviewer 372044

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